

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	486.24	4.00	51.79	542.03	4.00	51.79	542.03	542.03
Personal Services	21,536,866	2,248,015	2,143,891	25,928,772	2,285,404	2,139,852	25,962,122	51,890,894
Operating Expenses	9,814,332	1,291,787	1,972,606	13,078,725	1,280,002	1,590,616	12,684,950	25,763,675
Equipment	667,807	71,193	417,567	1,156,567	26,693	381,000	1,075,500	2,232,067
Capital Outlay	75	0	0	75	0	0	75	150
Local Assistance	213,373	25,000	250,000	488,373	25,000	250,000	488,373	976,746
Grants	961,865	38,966	0	1,000,831	38,965	0	1,000,830	2,001,661
Benefits & Claims	1,000,000	(1,000,000)	0	0	(1,000,000)	0	0	0
Transfers	398,339	353,117	857,965	1,609,421	154,762	1,257,965	1,811,066	3,420,487
Debt Service	487,112	80,702	0	567,814	80,702	0	567,814	1,135,628
Total Costs	\$35,079,769	\$3,108,780	\$5,642,029	\$43,830,578	\$2,891,528	\$5,619,433	\$43,590,730	\$87,421,308
General Fund	16,825,529	247,734	2,100,820	19,174,083	(24,313)	2,100,658	18,901,874	38,075,957
State/Other Special	16,489,400	2,640,387	3,538,746	22,668,533	2,681,236	3,516,312	22,686,948	45,355,481
Federal Special	1,764,840	220,659	2,463	1,987,962	234,605	2,463	2,001,908	3,989,870
Total Funds	\$35,079,769	\$3,108,780	\$5,642,029	\$43,830,578	\$2,891,528	\$5,619,433	\$43,590,730	\$87,421,308

Page Reference

Legislative Budget Analysis, C-110

Agency Issues

Resource Indemnity Trust (RIT)

Several accounts utilized by a number of agencies get a portion of their revenues from resource indemnity taxes and/or trust earnings. Because legislative revenue estimates were reduced, funding shortfalls were identified in several accounts.

The department uses two resource indemnity related funds for grants and loans, conservation district activities, and department administration. The funds utilized are the renewable resource, and reclamation, and development funds.

The statutory use of both funds is directed to the grant and loan program and the administration of such programs. Over time the funds have been utilized to increase support to other department activities, the water court and the state library. When legislative revenue estimates were reduced, a funding shortfall was identified in the reclamation and development account. The legislature balanced the two funds by eliminating support for the Clark Fork River task force, and farm bill implementation activities, and reversed a proposed funding switch. The department identified \$150,000 in cancelled grants to provide increased revenue to the funds. The ending balance in renewable resources fund is projected to be a negative \$40,918 while the reclamation and development fund is projected to be a positive \$40,918.

Figure 1 shows status of RIT related accounts after committee action. The hazardous waste/CERCLA and environmental quality protection funds were addressed through adjustments made to the Department of Environmental Quality. The orphan share account projected ending fund balance increased from \$6.4 million to \$8.4 million due to the reduction of an appropriation in the remediation division of the Department of Environmental Quality. However, this figure does not take into account pending legislation that would reduce the orphan share balance. The water storage fund is projected to end with a positive cash balance.

Figure 1

Resource Indemnity Trust
Projected Fund Balances after Senate Finance and Claims

Related Expenditure Accounts (2007 biennium totals)	Renewable Resource (02272)	Reclamation & Development (02458)	Haz. Waste CERCLA (02070)	Environmental Quality Protect. (02162)	Groundwater Assessment (2,289)	Water Storage (02216)	Orphan Share (02472)
Beginning Fiscal 2005 Fund Balance (SABHRS)	\$1,396,368	\$1,944,494	\$194,540	\$839,661	\$252,454	\$320,696	\$5,093,800
Continuing appropriations	(3,882,647)	(2,474,570)	(31,231)			(589,979)	0
Fiscal 2005 appropriations	(934,212)	(2,961,720)	(895,656)	(915,792)	(666,000)	0	(1,350,144)
Fiscal 2005 Adjustments	0	0	0	0	(252,454)	0	0
Fiscal 2005 revenues (RTIC, agency estimates)	3,802,517	5,339,484	619,760	725,560	666,000	138,000	2,254,000
Projected Available Fund Balance Beginning FY2006	\$382,026	\$1,847,688	(\$112,587)	\$649,429	\$0	(\$131,283)	\$5,997,656
Revenues (RATC, agency estimates)							
RIT Interest-direct	4,480,000	3,000,000			600,000	500,000	
RIT Interest-further allocation by above %	1,034,400	1,206,800	896,480	310,320			
RIGWA Proceeds		4,474,111			732,000		4,474,095
Metal Mines Tax (7%)		1,311,000					
Coal Tax & Interest (from 04011)	516,009						
STIP/Other Interest	20,000		4,000	6,000		37,500	70,000
Cost Recoveries				1,023,800			
Transfers							
Administrative Fees	14,000						
State-owned Project Revenue	0	0	0	0	0	240,000	0
Total Revenues	\$6,064,409	\$9,991,911	\$900,480	\$1,340,120	\$1,332,000	\$777,500	\$4,544,095
Executive Appropriations							
House Bills 6 and 7 Grants (Executive Recommended)	4,000,000	4,856,187					
House Bill 6-Emergency/Private Grants (Recommended)	400,000						
House Bill 7 - Transfers (100k to ECA)	(400,000)	457,116					
MSU-Northern (statutorily appropriated)	480,000						
UM-Bureau of Mines					1,332,000		
DNRC - Centralized Services	10,000	12,000					
DNRC-Conservation and Resource Devel. Division	359,777	1,270,466					
DNRC-Water Resources Division		107,428				544,600	
DEQ-Central Management		88,378	28,964				
DEQ-Planning, Prevention & Assistance			266,244				
DEQ-Enforcement		9,648					
DEQ - Remediation - SB 489							1,500,000
DEQ-Remediation			47,916	1,989,549			2,100,019
DEQ-Permitting & Compliance		3,243,521	442,769				
DNRC-Flathead Basin Commission	16,002						
Judiciary-Water Court	1,533,510						
Library Commission-State Library Operations/NRIS		782,872					
CD Position		140,857					
Irrigation		300,000					
Missouri River Cons. District		160,000					
St. Mary - Hydrologist		122,404					
St Mary - Engineer		124,132					
HB 13 Pay Plan	88,064	123,672					
Total Appropriations	\$6,487,353	\$11,798,681	\$785,893	\$1,989,549	\$1,332,000	\$544,600	\$3,600,019
Projected 2007 Biennium Ending Balance	(\$40,918)	\$40,918	\$2,000	\$0	\$0	\$101,617	\$6,941,732

The utilization of RIT related accounts and funding shortfalls prompted the Natural Resources and Commerce Joint Appropriations Subcommittee to request a committee bill to review and analyze the current funding formulas and present options to streamline appropriations to the next legislative session.

Water Rights Adjudication

Funding to expedite the water adjudication process is included in HB 22. In its original form the legislation statutorily appropriated \$2.6 million to the department and the Judiciary for the water court. In order to provide on-going review of the water adjudication process, the statutory appropriation was removed and replaced with allocation language. The legislature added \$4.0 million in state special revenue to the department for this activity, contingent on the passage of HB 22.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	486.24	491.24	542.03	50.79	491.24	542.03	50.79	
Personal Services	21,536,866	23,825,163	25,928,772	2,103,609	23,862,513	25,962,122	2,099,609	4,203,218
Operating Expenses	9,814,332	12,473,307	13,078,725	605,418	11,422,716	12,684,950	1,262,234	1,867,652
Equipment	667,807	760,695	1,156,567	395,872	709,500	1,075,500	366,000	761,872
Capital Outlay	75	75	75	0	75	75	0	0
Local Assistance	213,373	513,373	488,373	(25,000)	463,373	488,373	25,000	0
Grants	961,865	1,007,296	1,000,831	(6,465)	961,865	1,000,830	38,965	32,500
Benefits & Claims	1,000,000	0	0	0	0	0	0	0
Transfers	398,339	1,751,456	1,609,421	(142,035)	1,553,101	1,811,066	257,965	115,930
Debt Service	487,112	567,814	567,814	0	567,814	567,814	0	0
Total Costs	\$35,079,769	\$40,899,179	\$43,830,578	\$2,931,399	\$39,540,957	\$43,590,730	\$4,049,773	\$6,981,172
General Fund	16,825,529	18,486,871	19,174,083	687,212	18,229,824	18,901,874	672,050	1,359,262
State/Other Special	16,489,400	20,424,346	22,668,533	2,244,187	19,309,225	22,686,948	3,377,723	5,621,910
Federal Special	1,764,840	1,987,962	1,987,962	0	2,001,908	2,001,908	0	0
Total Funds	\$35,079,769	\$40,899,179	\$43,830,578	\$2,931,399	\$39,540,957	\$43,590,730	\$4,049,773	\$6,981,172

The legislature approved a biennial budget \$6.9 million (7.1 percent) higher than the proposed executive budget. This includes an increase of \$1.3 million general fund and \$5.6 million in state special revenue.

The increase in the general fund budget of \$1.3 million is the net result, of the approval of \$1.0 million per year in funding for initial attack fire operations for the Forestry Division, \$0.2 million per year for the reserved water rights compact commission, and the denial of funding for reinstatement of the Montana Agriculture Heritage program for \$0.4 million per year.

State special revenue appropriations increased with the addition of water right appropriation fees for \$2.0 million per year. These fees, contingent upon passage and approval of HB 22, will be utilized to expedite the water adjudication process. Increased appropriations of \$0.7 million for the Montana Board of Oil and Gas also contributed to the increase in state special revenue.

The legislature approved the addition of 43.00 FTE, the majority of which will be utilized in the Water Rights Bureau to expedite the water adjudication process. The remaining FTE will provide support services to the conservation district program and the St. Mary's rehabilitation project.

The legislature did not change the level of federal special revenue from the executive proposal

Agency Highlights

Department of Natural Resources and Conservation Major Budget Highlights	
♦	The legislature approved present law adjustments totaling \$6.0 million over the biennium of which \$5.2 million are state special revenue.
♦	56.79 FTE were approved, a majority of which are attributed to the acceleration of the water rights adjudication program.
♦	\$1.0 million per year of general fund was approved to provide increased initial attack capacity to the Forestry Division in fighting wildland fires
♦	The legislature removed \$2.0 million in general fund from the base budget as the debt to the Crow Tribe is proposed to be paid in FY 2005.
♦	The legislature did not approve \$0.4 million of general fund per year to reinstate the Montana agricultural heritage program
♦	The department is seeking a \$2.0 million supplemental to deal with fire related costs incurred in the 2005 biennium which are not eligible for reimbursement from other sources
♦	The legislature eliminated \$2.0 million in language appropriations for repairs and maintenance of state owned water projects that can be appropriated through a budget amendment

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Legislative Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
21 Centralized Services	\$ 3,800,567	\$ 950,624	\$ 163,888	\$ 4,915,079	5.5%
22 Oil & Gas Conservation Div.	-	4,113,786	-	4,113,786	4.6%
23 Conservation/Resource Dev Div	2,544,646	5,785,356	543,676	8,873,678	10.0%
24 Water Resources Division	14,380,658	8,936,758	185,879	23,503,295	26.5%
25 Reserved Water Rights Comp Com	1,576,758	-	-	1,576,758	1.8%
35 Forestry/Trust Lands	16,973,328	25,568,957	3,096,427	45,638,712	51.5%
Grand Total	<u>\$ 39,275,957</u>	<u>\$ 45,355,481</u>	<u>\$ 3,989,870</u>	<u>\$ 88,621,308</u>	<u>100.0%</u>

The department is funded with 49.5 percent general funds, 45.9 percent state special revenue, and 4.6 percent federal funds. The agency receives funds from interest derived from the resource indemnity trust for projects and operational support. The grant and loan programs funded by the RIT interest are also managed by the agency. Other state special revenue is derived from fire protection taxes, oil and gas operating fees, forest improvement fees, and revenues retained from state land activities for administration costs. Federal funds come from a variety of sources such as the Federal Emergency Management Agency, the United States Department of Agriculture, and the Bureau of Land Management.

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	37.00	1.00	0.00	38.00	1.00	0.00	38.00	38.00
Personal Services	1,744,660	160,438	0	1,905,098	160,536	0	1,905,196	3,810,294
Operating Expenses	543,492	38,491	0	581,983	(57,378)	0	486,114	1,068,097
Equipment	0	15,000	0	15,000	15,000	0	15,000	30,000
Debt Service	3,344	0	0	3,344	0	0	3,344	6,688
Total Costs	\$2,291,496	\$213,929	\$0	\$2,505,425	\$118,158	\$0	\$2,409,654	\$4,915,079
General Fund	1,819,275	130,164	0	1,949,439	31,853	0	1,851,128	3,800,567
State/Other Special	400,820	74,534	0	475,354	74,450	0	475,270	950,624
Federal Special	71,401	9,231	0	80,632	11,855	0	83,256	163,888
Total Funds	\$2,291,496	\$213,929	\$0	\$2,505,425	\$118,158	\$0	\$2,409,654	\$4,915,079

Page Reference

Legislative Budget Analysis, C-131

Funding

The Centralized Services Division is primarily funded with general fund (75.7 percent), a variety of resource-based accounts (15.62 percent) such as revenue from timber sales and taxes on oil and gas wells, and federal indirect grant reimbursements (3.8 percent). To obtain funding the department charges overhead rates to other divisions to recover costs. The rate varies depending upon the type and amount of managerial, payroll, contract, and accounts payable services provided to the divisions.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				200,660					200,852
Vacancy Savings				(77,813)					(77,823)
Inflation/Deflation				(1,857)					(1,679)
Fixed Costs				21,886					(79,410)
Total Statewide Present Law Adjustments				\$142,876					\$41,940
DP 2101 - CSD Operating Adjustment									
0.00	9,231	0	9,231	18,462	0.00	11,856	0	11,855	23,711
DP 2102 - Phone System Billings Office-OTO - Biennial									
0.00	7,500	7,500	0	15,000	0.00	7,500	7,500	0	15,000
DP 2110 - Attorney									
1.00	0	37,591	0	37,591	1.00	0	37,507	0	37,507
Total Other Present Law Adjustments									
1.00	\$16,731	\$45,091	\$9,231	\$71,053	1.00	\$19,356	\$45,007	\$11,855	\$76,218
Grand Total All Present Law Adjustments				\$213,929					\$118,158

DP 2101 - CSD Operating Adjustment - The legislature approved operating adjustments for increases in rent and janitorial services.

DP 2102 - Phone System Billings Office-OTO - Biennial - The legislature approved funds to replace the phone system at the DNRC Billings Office, due to age and difficulty in finding parts for repairs. This office houses four divisions: Forestry, Trust Lands, Water Resources, and Conservation and Resource Development, as well as the Department of Environmental Quality.

DP 2110 - Attorney - The legislature approved an addition 1.00 FTE for the legal unit. This position would augment the one existing attorney that is assigned to water matters. One half of the funding for this position would come from the water rights fund. The department is responsible for funding the other half from existing resources.

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	20.50	0.00	1.00	21.50	0.00	1.00	21.50	21.50
Personal Services	809,721	221,639	34,129	1,065,489	235,386	34,099	1,079,206	2,144,695
Operating Expenses	295,245	93,963	545,000	934,208	94,638	545,000	934,883	1,869,091
Equipment	38,307	11,693	0	50,000	11,693	0	50,000	100,000
Total Costs	\$1,143,273	\$327,295	\$579,129	\$2,049,697	\$341,717	\$579,099	\$2,064,089	\$4,113,786
State/Other Special	1,036,392	434,176	579,129	2,049,697	448,598	579,099	2,064,089	4,113,786
Federal Special	106,881	(106,881)	0	0	(106,881)	0	0	0
Total Funds	\$1,143,273	\$327,295	\$579,129	\$2,049,697	\$341,717	\$579,099	\$2,064,089	\$4,113,786

Page Reference

Legislative Budget Analysis, C-134

Funding

The division is funded through taxes levied on oil and gas well and the class II annual operating fee. By statute (15-36-324, MCA) a percentage of oil production taxes and natural gas taxes are deposited to the account for the board's use. The board by statute (82-11-131, MCA) can set privilege and license tax up to 3/10 of 1 percent of the market value of each barrel of crude petroleum produced and of each 10,000 cubic feet of natural gas produced to comply with 15-36-324, MCA. Section 82-11-137, MCA, provides for a maximum \$300 annual operating fee for each class II injection well. The board set the fee at \$200. The division also receives federal funding from the Environmental Protection Agency (EPA) for the underground injection control program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				225,809						224,419
Vacancy Savings				(41,420)						(41,366)
Inflation/Deflation				(1,984)						(1,977)
Fixed Costs				6,525						6,582
Total Statewide Present Law Adjustments				\$188,930						\$187,658
DP 2206 - O&G Regulatory Program Operating Adjustments										
	0.00	0	75,156	0	75,156	0.00	0	84,499	0	84,499
DP 2207 - O&G UIC Program Operating Adjustments										
	0.00	0	63,209	0	63,209	0.00	0	69,560	0	69,560
Total Other Present Law Adjustments										
	0.00	\$0	\$138,365	\$0	\$138,365	0.00	\$0	\$154,059	\$0	\$154,059
Grand Total All Present Law Adjustments				\$327,295						\$341,717

DP 2206 - O&G Regulatory Program Operating Adjustments - The legislature approved present law adjustments for personal services exempt salary and related benefit increases, board per diem, and staff overtime. Operating increases include contracted legal, janitorial, and database services, increase rent in non-state owned buildings, and travel and related costs of a new field inspector.

DP 2207 - O&G UIC Program Operating Adjustments - The legislature approved a present law adjustment for personal services to include exempt salary and related benefit increases, board per diem, and staff overtime. Operating increases include contracted legal, janitorial and database services, travel and related costs of a new field inspector, and general operating costs such as phone, rent and supplies.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2201 - Public Access Data System-OTO										
22	1.00	0	209,129	0	209,129	1.00	0	209,099	0	209,099
DP 2203 - O&G Energy Education and Outreach-OTO -Biennial										
22	0.00	0	62,500	0	62,500	0.00	0	62,500	0	62,500
DP 2204 - O&G North American Prospect Exposition-Biennial										
22	0.00	0	7,500	0	7,500	0.00	0	7,500	0	7,500
DP 2205 - Coal Bed Natural Gas Baseline Studies										
22	0.00	0	300,000	0	300,000	0.00	0	300,000	0	300,000
Total	1.00	\$0	\$579,129	\$0	\$579,129	1.00	\$0	\$579,099	\$0	\$579,099

DP 2201 - Public Access Data System-OTO - The legislature approved state special revenue to expand upon an on-going data project started in the 2005 biennium to acquire and maintain historical oil and gas data, including well logs and field information, and scan the data for web delivery.

DP 2203 - O&G Energy Education and Outreach-OTO -Biennial - The legislature approved a one-time-only biennial appropriation of state special revenue to provide summer oil and gas workshops for teachers, provide curricula materials and field trips to students at all grade levels, and develop a science project competition.

DP 2204 - O&G North American Prospect Exposition-Biennial - The legislature approved an appropriation of state special revenue to sponsor a "Come to Montana" booth at the annual North American Prospect Expedition, a convention of oil and gas companies representatives from all over the world.

DP 2205 - Coal Bed Natural Gas Baseline Studies - The legislature approved state special revenue each year to complete baseline studies and investigations to improve the effectiveness of the oil and gas regulatory program in relation to coal bed methane production. Funds will also be used to provide matching funds for Department of Energy research solicitations regarding coal bed methane production.

Language

The legislature approved the following language for inclusion in HB2:

"The department is authorized to decrease state special revenue in the underground injection control program and increase federal special revenue by a like amount when the amount of federal EPA funds available for the program becomes known. Any federal special revenue is to be spent before state special revenue."

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	21.50	1.00	3.00	25.50	1.00	3.00	25.50	25.50
Personal Services	1,181,422	26,407	148,407	1,356,236	28,455	148,108	1,357,985	2,714,221
Operating Expenses	1,058,250	75,326	388,193	1,521,769	87,356	385,193	1,530,799	3,052,568
Equipment	24,404	0	0	24,404	0	0	24,404	48,808
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	213,373	25,000	250,000	488,373	25,000	250,000	488,373	976,746
Grants	924,622	38,966	0	963,588	38,965	0	963,587	1,927,175
Benefits & Claims	1,000,000	(1,000,000)	0	0	(1,000,000)	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	77,080	0	0	77,080	0	0	77,080	154,160
Total Costs	\$4,479,151	(\$834,301)	\$786,600	\$4,431,450	(\$820,224)	\$783,301	\$4,442,228	\$8,873,678
General Fund	2,316,762	(1,044,798)	0	1,271,964	(1,044,080)	0	1,272,682	2,544,646
State/Other Special	1,961,828	143,795	786,600	2,892,223	148,004	783,301	2,893,133	5,785,356
Federal Special	200,561	66,702	0	267,263	75,852	0	276,413	543,676
Total Funds	\$4,479,151	(\$834,301)	\$786,600	\$4,431,450	(\$820,224)	\$783,301	\$4,442,228	\$8,873,678

Page Reference

Legislative Budget Analysis, C-138

Funding

This program is primarily funded with general fund, RIT accounts, and coal severance taxes.

RIT funding is used to administer the Reclamation Development Grants Program (RDGP) and the Renewable Resources Grant and Loan Program (RRGLP). The RDGP is a state-funded grant program that assists any department, agency, and division of state government, tribal government, board, or commission to indemnify the people of the state for the effects of mineral development on public resources. The RRGLP funds a variety of natural resource projects including groundwater studies, irrigation projects, water and soil conservation, and public wastewater projects primarily through grants administered by the department. Coal severance tax is used to provide grants to conservation districts for natural resource related projects such as streambed stabilization, soil conservation, educational activities, and demonstrations of new technologies.

The Natural Resource Development Bureau utilizes nearly half of the division general fund to administer grant and loan programs, provide assistance to conservation districts for the administration of water reservations, and assist landowners to develop new irrigation. The Conservation District Bureau utilizes just over half of the available general fund to assist Montana conservation and grazing districts. The remaining program funding includes miscellaneous state special revenue, federal drinking water and water pollution control funds, and miscellaneous federal sources used to supplement division activities.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					27,085					29,321
Vacancy Savings					(48,342)					(48,428)
Inflation/Deflation					(5,234)					(5,152)
Fixed Costs					11,656					11,605
Total Statewide Present Law Adjustments					(\$14,835)	(\$12,654)				
DP 2301 - CARDD Regional Water Coordinator	1.00	0	47,664	0	47,664	1.00	0	47,562	0	47,562
DP 2302 - CARDD Operating Adjustment	0.00	2,000	36,000	14,000	52,000	0.00	2,000	36,000	20,000	58,000
DP 2303 - Regional Water Systems	0.00	0	27,000	0	27,000	0.00	0	33,000	0	33,000
DP 2310 - Grazing District Commission-Biennial	0.00	0	3,500	0	3,500	0.00	0	3,500	0	3,500
DP 2313 - Crow Tribe Settlement Adjustment	0.00	(1,000,000)	0	0	(1,000,000)	0.00	(1,000,000)	0	0	(1,000,000)
DP 2314 - Conservation Districts Financial Assistance-BI	0.00	0	34,120	0	34,120	0.00	0	34,118	0	34,118
DP 2325 - Salinity Control	0.00	0	16,250	0	16,250	0.00	0	16,250	0	16,250
Total Other Present Law Adjustments										
	1.00	(\$998,000)	\$164,534	\$14,000	(\$819,466)	1.00	(\$998,000)	\$170,430	\$20,000	(\$807,570)
Grand Total All Present Law Adjustments					(\$834,301)	(\$820,224)				

DP 2301 - CARDD Regional Water Coordinator - The legislature approved 1.0 FTE for a regional water coordinator. This position coordinates the regional water system projects in the State of Montana from the state's perspective, coordinating between DNRC, Department of Environmental Quality, Montana Department of Transportation, and other state and federal agencies.

DP 2302 - CARDD Operating Adjustment - The legislature approved a base adjustment for rent increases in non-state owned buildings in Helena, Billings, and Miles City, and for contract services, travel, and supplies.

DP 2303 - Regional Water Systems - The legislature approved state special revenue for administrative expenses as necessary to continue to secure federal funding, maintain local support, and negotiate needed agreements to work on engineering and environmental planning for the various systems. The federal funding in the total will be in excess of \$400 million. The federal funds received to date are \$5 million.

DP 2310 - Grazing District Commission-Biennial - The legislature approved a base adjustment for the Grazing District Commission. The commission anticipates increased costs for its contract executive director position and operations.

DP 2313 - Crow Tribe Settlement Adjustment - The legislature removed \$1.0 million general fund from the base budget previously utilized to pay for the Crow Tribe settlement. The entire Crow Tribe settlement is proposed to be paid in FY 2005.

DP 2314 - Conservation Districts Financial Assistance-BI - The legislature approved a state special revenue biennial appropriation from shared coal severance tax for conservation district grants administrative support. This proposal would increase the department's conservation district administrative grant program the grant program for projects and activities.

DP 2325 - Salinity Control - The legislature approved an increase of state special revenue for the Montana Salinity Control Association. The association has received grant dollars from the department since 1989. This addition will provide increased operating funds to procure equipment, provide hands-on educational programs, and start new watershed projects.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2304 - MT Drinking Water Loan Program										
23	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 2305 - Central Montana Regional Water Project										
23	0.00	0	105,000	0	105,000	0.00	0	102,000	0	102,000
DP 2320 - Conservation District Position										
23	1.00	0	70,475	0	70,475	1.00	0	70,382	0	70,382
DP 2321 - Irrigation Development										
23	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000
DP 2322 - Missouri River Conservation District Council										
23	0.00	0	80,000	0	80,000	0.00	0	80,000	0	80,000
DP 2324 - Rangeland Management Position										
23	1.00	0	69,004	0	69,004	1.00	0	68,908	0	68,908
DP 2327 - St. Mary's Project Engineer										
23	1.00	0	62,121	0	62,121	1.00	0	62,011	0	62,011
Total	3.00	\$0	\$786,600	\$0	\$786,600	3.00	\$0	\$783,301	\$0	\$783,301

DP 2304 - MT Drinking Water Loan Program - The legislature approved an expansion of the State Revolving Fund Drinking Water Program to match the federal program authority for the Safe Drinking Water program. This program provides funds for training, technical assistance, and the issuance of low interest loans to local governmental entities to finance drinking water facilities and implement the Safe Drinking Water Act.

DP 2305 - Central Montana Regional Water Project - The legislature approved authority for the development of the Central Montana Regional Water Project. Funding would cover the administrative expenses associated with maintaining local support and negotiating agreements to work on engineering and environmental planning for the regional water system. This system would facilitate the construction of a regional water system for five small communities in the Musselshell Valley area. The service area includes Fergus, Judith Basin, Wheatland, Golden Valley, Yellowstone, and Musselshell counties and will serve up to 5,000 people.

DP 2320 - Conservation District Position - The legislature approved the restoration of 1.0 FTE that was removed in the 2003 legislative session. This position will work with conservation districts on a variety of projects, provide guidance on program issues, and secure cooperation with other state and federal agencies.

DP 2321 - Irrigation Development - The legislature approved state special revenue to provide grants to develop new irrigation or increase the value of existing agricultural land through improved irrigation. High value crops such as potatoes, sugar beets, and malt barley are targeted in this program.

DP 2322 - Missouri River Conservation District Council - The legislature approved state special revenue to support the work of the Missouri River Development Council. The council consists of 15 districts that have joined together to address natural resource issues along the Missouri River.

DP 2324 - Rangeland Management Position - The legislature approved 1.0 FTE to re-instate the range land management position. The funding for this position was eliminated in the 2003 legislative session.

DP 2327 - St. Mary's Project Engineer - The legislature approved state special revenue to fund 1.0 FTE to provide engineering oversight on the St. Mary's project. This engineer would review and evaluate the engineering work associated with the project as the plan progresses.

Language

The legislature approved the following language for inclusion in HB2:

"The department is appropriated up to \$600,000 for the 2007 biennium from the state special revenue account established in 85-1-604 for the purchase of prior liens on property held as loan security as required by 85-1-618.

The department is authorized to decrease federal special revenue in the pollution control and/or drinking water revolving loan programs and increase state special revenue by a like amount within the special administration account when:

- (1) the federal capitalization funds have been expended; or
- (2) federal funds and bond proceeds are used for other program purposes.

During the 2007 biennium, up to \$500,000 of funds in or to be deposited in the coal bed methane account is appropriated to the department for use by conservation districts in the case of an emergency, as defined in 76-15-903, for private landowners or water right holders who qualify for compensation and for conservation district services provided under the program.

If grazing fees are raised during the 2007 biennium, up to \$20,000 of funds in the grazing district account is appropriated to the grass conservation commission for contingency operations.

During the 2007 biennium, if the department obtains federal funding for the St. Mary's rehabilitation project, it must be used to replace state special revenue approved to fund personal services and related costs of the St. Mary's engineer and St. Mary's hydrologist."

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	109.50	0.00	40.00	149.50	0.00	40.00	149.50	149.50
Personal Services	5,252,169	365,896	1,671,979	7,290,044	370,736	1,668,542	7,291,447	14,581,491
Operating Expenses	1,768,414	703,406	852,734	3,324,554	738,698	473,761	2,980,873	6,305,427
Equipment	5,772	28,500	36,695	70,967	0	0	5,772	76,739
Capital Outlay	75	0	0	75	0	0	75	150
Local Assistance	0	0	0	0	0	0	0	0
Transfers	0	0	600,000	600,000	0	1,000,000	1,000,000	1,600,000
Debt Service	389,042	80,702	0	469,744	80,702	0	469,744	939,488
Total Costs	\$7,415,472	\$1,178,504	\$3,161,408	\$11,755,384	\$1,190,136	\$3,142,303	\$11,747,911	\$23,503,295
General Fund	5,866,304	320,952	1,000,000	7,187,256	327,098	1,000,000	7,193,402	14,380,658
State/Other Special	1,464,378	849,569	2,161,408	4,475,355	854,722	2,142,303	4,461,403	8,936,758
Federal Special	84,790	7,983	0	92,773	8,316	0	93,106	185,879
Total Funds	\$7,415,472	\$1,178,504	\$3,161,408	\$11,755,384	\$1,190,136	\$3,142,303	\$11,747,911	\$23,503,295

Page Reference

Legislative Budget Analysis, C-145

Funding

The Water Resource Division is predominantly funded with general fund (79.1 percent), state special revenue (22.1 percent), and a minor amount of federal revenue. Sources and purpose of state special revenue include:

- Water storage account funded by direct allocation of RIT interest and revenue from water purchase contracts for the purpose of construction, operation, maintenance and rehabilitation of state water storage projects
- Water rights fees derived from fees collected to record rights to support water rights management
- Income derived from state owned hydroelectric projects for repair and rehabilitation of state owned water projects
- General license account dollars for fisheries mitigation work
- Fees from water well contractors that support the Board of Water Well Contractors

Federal funds are from Federal Emergency Management Agency (FEMA) grants and the Bureau of Reclamation.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				599,143						604,190
Vacancy Savings				(234,047)						(234,254)
Inflation/Deflation				(18,472)						(17,855)
Fixed Costs				24,638						38,790
Total Statewide Present Law Adjustments				\$371,262	\$390,871					
DP 2402 - Water Resources Operating Adjustments										
0.00	78,531	91,485		0	170,016	0.00	66,541	90,498	0	157,039
DP 2403 - Rehab of N. Fork of Smith Dam and Nilan N. Dam OTO										
0.00	0	165,000		0	165,000	0.00	0	165,000	0	165,000
DP 2404 - Broadwater Power Project-FERC Fisheries Mitigation										
0.00	0	43,000		0	43,000	0.00	0	43,000	0	43,000
DP 2405 - Water Projects Pre-construction Engineering OTO										
0.00	0	206,800		0	206,800	0.00	0	206,800	0	206,800
DP 2406 - Water Well Litigation & PerDiem-RST-OTO										
0.00	0	16,800		0	16,800	0.00	0	16,800	0	16,800
DP 2407 - FBC Operating Budget										
0.00	0	(119,374)		0	(119,374)	0.00	0	(114,374)	0	(114,374)
DP 2411 - Broadwater Bridge Rebuild - Biennial OTO RST										
0.00	0	325,000		0	325,000	0.00	0	325,000	0	325,000
Total Other Present Law Adjustments										
0.00	\$78,531	\$728,711		\$0	\$807,242	0.00	\$66,541	\$732,724	\$0	\$799,265
Grand Total All Present Law Adjustments				\$1,178,504	\$1,190,136					

DP 2402 - Water Resources Operating Adjustments - The legislature approved general fund and state special revenue for the 2007 biennium for operating adjustments such as rent, utilities, contracted services, and leased vehicles through the state motor pool.

DP 2403 - Rehab of N. Fork of Smith Dam and Nilan N. Dam OTO - The legislature approved a one-time only, restricted, biennial state special revenue appropriation for rehabilitation projects on the North Fork of Smith Dam and Nilan North Dam.

DP 2404 - Broadwater Power Project-FERC Fisheries Mitigation - The legislature approved a biennial appropriation of state special revenue to fund fisheries mitigation work required by the Federal Energy Regulatory Commission (FERC). Funds will be used to contract with the Department of Fish, Wildlife and Parks (DFWP) to perform annual fish population studies and evaluation of completed habitat improvement projects to mitigate impacts from the construction of the Broadwater Hydropower Plant.

DP 2405 - Water Projects Pre-construction Engineering OTO - The legislature approved a one-time-only, biennial appropriation of state special revenue for land surveying services and pre-construction engineering on two projects in need of major rehabilitation. Funds will be used to contract with private engineering firms to complete the pre-construction engineering on the Ruby Dam and the Painted Rock Dam. The engineering would establish the basis for funding and carrying out the actual rehabilitation construction stage.

DP 2406 - Water Well Litigation & PerDiem-RST-OTO - The legislature approved state special revenue for increased contracted legal and other litigation costs of the Board of Water Well Contractors. Bond revenues from contractors are not available prior to incurring these costs. The balance of the appropriation is for increased travel and per diem costs for the non-government representatives of the board.

DP 2407 - FBC Operating Budget - The legislature approved a reduction in the base budget to reflect operational changes. The Flathead Basin Commission (FBC) is charged to protect the natural resources and environment of the Flathead Basin.

DP 2411 - Broadwater Bridge Rebuild - Biennial OTO RST - The legislature approved a one-time only, biennial appropriation of state special revenue to replace the Broadwater spillway bridge structure. Replacement of the existing spillway bridge structure is necessary to address public and worker safety, provide access for maintenance equipment, and comply with current engineering design criteria and building codes.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2408 - Water Right Records Optical Imaging-OTO										
24	0.00	0	108,551	0	108,551	0.00	0	89,556	0	89,556
DP 2409 - Water Adjudication Funding OTO										
24	0.00	600,000	0	0	600,000	0.00	1,000,000	0	0	1,000,000
DP 2413 - Water Adjudication Database OTO										
24	0.00	400,000	0	0	400,000	0.00	0	0	0	0
DP 2414 - St. Mary's Hydrologist										
24	1.00	0	61,257	0	61,257	1.00	0	61,147	0	61,147
DP 2415 - Water Adjudication - HB 22										
24	39.00	0	1,991,600	0	1,991,600	39.00	0	1,991,600	0	1,991,600
Total	40.00	\$1,000,000	\$2,161,408	\$0	\$3,161,408	40.00	\$1,000,000	\$2,142,303	\$0	\$3,142,303

DP 2408 - Water Right Records Optical Imaging-OTO - The legislature approved state special revenue to replace the microfilm system with an optical imaging system to capture water right information consisting of 350,000 plus files and over six million images. This system will transfer the information from a read only microfilm system to internet accessible files linked with the water rights database.

DP 2409 - Water Adjudication Funding OTO - The legislature approved general fund each year of the biennium to expedite the water rights adjudication process. The funds will be transferred to the water adjudication account.

DP 2413 - Water Adjudication Database OTO - The legislature approved a general fund one-time-only restricted appropriation to implement database upgrades to expedite the water adjudication process.

DP 2414 - St. Mary's Hydrologist - The legislature approved 1.00 FTE for a hydrologist to assist the state's effort in the Milk River Basin rehabilitation of the aging St. Mary's facilities.

DP 2415 - Water Adjudication - HB 22 - The legislature approved a biennial appropriation of state special revenue generated fees from implementation of HB 22. This funding will be used to examine 57,000 water right claims by June 30, 2015 and issue a preliminary or temporary preliminary decrees on all basins by June 30, 2020. Funding includes 33.5 FTE for claims examination, 2.00 FTE for geographic information specialists, and 3.5 FTE for administrative assistants.

Language

The legislature approved the following language for inclusion in HB2:

During the 2007 biennium, up to \$70,000 of interest earned on the Broadwater water users account is appropriated to the department for the purpose of repair, improvement, or rehabilitation of the Broadwater-Missouri diversion project."

If Senate Bill No. 138 is not passed and approved, (water management) is decreased by \$56,454 in state special revenue in fiscal year 2006 and by \$61,404 in fiscal year 2007.

If House Bill No. 236 is not passed and approved, (water management) is decreased by \$25,000 in state special revenue in each year of the 2007 biennium.

If House Bill No. 22 is not passed and approved, (water management) is decreased by 39 FTE and \$1,991,600 in state special revenue in fiscal year 2006 and fiscal year 2007.

During the 2007 biennium, if the department obtains federal funding for the St. Mary's rehabilitation project, it must be used to replace state special revenue approved to fund personal services and related costs of the St. Mary's engineer and St. Mary's hydrologist."

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	9.00	0.00	0.00	9.00	0.00	0.00	9.00	9.00
Personal Services	530,733	27,891	0	558,624	27,705	0	558,438	1,117,062
Operating Expenses	133,717	(2,004)	97,500	229,213	(734)	97,500	230,483	459,696
Total Costs	\$664,450	\$25,887	\$97,500	\$787,837	\$26,971	\$97,500	\$788,921	\$1,576,758
General Fund	664,450	25,887	97,500	787,837	26,971	97,500	788,921	1,576,758
Total Funds	\$664,450	\$25,887	\$97,500	\$787,837	\$26,971	\$97,500	\$788,921	\$1,576,758

Page Reference

Legislative Budget Analysis, C-150

Funding

The commission is funded exclusively with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				46,134					45,940
Vacancy Savings				(23,073)					(23,065)
Inflation/Deflation				(231)					(181)
Fixed Costs				(4,343)					(4,352)
Total Statewide Present Law Adjustments				\$18,487					\$18,342
DP 2501 - Reserved Water Rights Compact Commission Operating	0.00	7,400	0	7,400	0.00	8,629	0	0	8,629
Total Other Present Law Adjustments	0.00	\$7,400	\$0	\$7,400	0.00	\$8,629	\$0	\$0	\$8,629
Grand Total All Present Law Adjustments				\$25,887					\$26,971

DP 2501 - Reserved Water Rights Compact Commission Operating - The legislature approved a present law adjustment to annualize the increase in rent and janitorial services. The adjustment also restores travel and per diem for the nine commission members.

New Proposals

New Proposals											
-----Fiscal 2006-----						-----Fiscal 2007-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 2502 - RWCC - Contracted Services - Biennial OTO											
	25	0.00	97,500	0	0	97,500	0.00	97,500	0	0	97,500
	Total	0.00	\$97,500	\$0	\$0	\$97,500	0.00	\$97,500	\$0	\$0	\$97,500

DP 2502 - RWCC - Contracted Services - Biennial OTO - The legislature approved one-time-only biennial funding for contracted services of a biologist and an engineer. These activities are related to negotiations with tribal governments and the U.S. Forest Service.

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	288.74	2.00	7.79	298.53	2.00	7.79	298.53	298.53
Personal Services	12,018,161	1,445,744	289,376	13,753,281	1,462,586	289,103	13,769,850	27,523,131
Operating Expenses	6,015,214	382,605	89,179	6,486,998	417,422	89,162	6,521,798	13,008,796
Equipment	599,324	16,000	380,872	996,196	0	381,000	980,324	1,976,520
Capital Outlay	0	0	0	0	0	0	0	0
Grants	37,243	0	0	37,243	0	0	37,243	74,486
Transfers	398,339	353,117	257,965	1,009,421	154,762	257,965	811,066	1,820,487
Debt Service	17,646	0	0	17,646	0	0	17,646	35,292
Total Costs	\$19,085,927	\$2,197,466	\$1,017,392	\$22,300,785	\$2,034,770	\$1,017,230	\$22,137,927	\$44,438,712
General Fund	6,158,738	815,529	1,003,320	7,977,587	633,845	1,003,158	7,795,741	15,773,328
State/Other Special	11,625,982	1,138,313	11,609	12,775,904	1,155,462	11,609	12,793,053	25,568,957
Federal Special	1,301,207	243,624	2,463	1,547,294	245,463	2,463	1,549,133	3,096,427
Total Funds	\$19,085,927	\$2,197,466	\$1,017,392	\$22,300,785	\$2,034,770	\$1,017,230	\$22,137,927	\$44,438,712

Page Reference

Legislative Budget Analysis, C-152

Funding

The Forestry Division is supported with a mix of general fund, state special revenue, and federal funding. General fund provides general division support as well as the fixed costs of the Fire and Aviation Management program. A transfer from the general fund is made to the proprietary fund, from which it is spent.

State special revenue from the sale of nursery stock and forest improvement fees is used to support the nursery. The land board approves the variable forest improvement fee when timber sales are approved based upon the state's projected costs of slash disposal, road maintenance, and reforestation. Fees consist of \$25 for each slash hazard reduction agreement, and \$.06 per thousand board feet sold, plus any forfeited fire hazard reduction bonds.

The department is also required to collect up to one-third of the state's fire protection appropriation from private landowners. The other two-thirds is funded with general fund and federal funds. The department is required to levy the tax so that collections equal the amount appropriated by the legislature.

The Trust Land Management division is funded with trust fund revenue, timber sales, and forest resource fees. The remaining funding is from recreational use and resource development of state lands. Because funding for state lands is taken directly from revenues, any expenditures for administration of state lands is a direct reduction in trust income. General fund is utilized for personal services for the management of non-trust state lands.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,720,709						1,738,420
Vacancy Savings				(549,553)						(550,264)
Inflation/Deflation				(41,825)						(41,089)
Fixed Costs				87,857						118,728
Total Statewide Present Law Adjustments				\$1,217,188						\$1,265,795
DP 3502 - Fire Seasonal Pay Exception	0.00	0	66,000	134,000	200,000	0.00	0	66,000	134,000	200,000
DP 3503 - Forestry Operating Adjustment	0.00	106,657	109,813	30,673	247,143	0.00	107,743	118,951	30,668	257,362
DP 3506 - Build additional UH-1 Helicopter-OTO	0.00	200,000	0	0	200,000	0.00	0	0	0	0
DP 3521 - Trust Land Management Operating Adjustment	0.00	0	11,544	0	11,544	0.00	0	14,183	0	14,183
DP 3522 - Trust Lands Recreational Use	0.00	0	18,000	0	18,000	0.00	0	18,000	0	18,000
DP 3523 - Trust Land Commercial Leasing	0.00	0	30,000	0	30,000	0.00	0	32,000	0	32,000
DP 3524 - Trust Land Banking	0.00	0	153,000	0	153,000	0.00	0	153,000	0	153,000
DP 3525 - Trust Land Road Maintenance	0.00	0	30,000	0	30,000	0.00	0	30,000	0	30,000
DP 3526 - Trust Land Replacement Equipment-OTO	0.00	0	16,000	0	16,000	0.00	0	0	0	0
DP 3527 - Forest Management Sustained Yield FTE	2.00	0	74,588	0	74,588	2.00	0	74,430	0	74,430
Total Other Present Law Adjustments	2.00	\$306,657	\$508,945	\$164,673	\$980,275	2.00	\$107,743	\$506,564	\$164,668	\$778,975
Grand Total All Present Law Adjustments				\$2,197,463						\$2,044,770

DP 3502 - Fire Seasonal Pay Exception - The legislature approved a pay exception for DNRC seasonal fire fighters. This will grant the department the ability to offer a pay exception for seasonal firefighters to make a pay matrix similar to that of surrounding states with similar programs.

DP 3503 - Forestry Operating Adjustment - The legislature approved operations adjustments for rent and aircraft insurance for the department's Fire and Aviation Management program, maintenance and training needs associated with federal assist fires, increased operating costs within the nursery, for increased slash inspections associated with increased logging activity on state and private land funded through slash disposal fees, and for rent increases of state offices located outside of the Capitol Complex.

DP 3506 - Build additional UH-1 Helicopter-OTO - The legislature approved one-time-only general fund to build an additional UH-1 helicopter to increase the fire fighting capabilities of the state helicopter fleet.

DP 3521 - Trust Land Management Operating Adjustment - The legislature approved an operations adjustment for increased rent costs for non-state owned buildings in the Helena, Billings, and Miles City offices.

DP 3522 - Trust Lands Recreational Use - The legislature approved additional state special revenue authority for weed management and road maintenance. Revenues from recreational use fees will provide the funding.

DP 3523 - Trust Land Commercial Leasing - The legislature approved state special revenue for the future commercial and industrial development of state trust lands to increase revenue to the trust beneficiaries.

DP 3524 - Trust Land Banking - The legislature approved state special revenue to support the land bank program. Land banking provides the department the ability to sell and purchase parcels of state land to increase revenue generating capacity, divest trust holdings, reduce the number of isolated land parcels, increase efficiency in state land management, and protect the corpus of the trust.

DP 3525 - Trust Land Road Maintenance - The legislature approved state special revenue each year of the biennium in the forest improvement program to pay for increases in road maintenance and road use in the northwestern and southwestern land offices.

DP 3526 - Trust Land Replacement Equipment-OTO - The legislature approved one-time-only spending authority in FY 2006 for the replacement of the phone system at the Stillwater unit of the northwestern land office due to performance and service factors.

DP 3527 - Forest Management Sustained Yield FTE - The legislature approved funding to support 2.00 FTE to meet the workload of the increased annual sustainable yield on forested state lands. The 2003 legislature directed the department to conduct a sustained yield study, and the results of that study increased the annual sustainable yield for timber harvest on school trust land from 42 million board feet per year to 53 million board feet per year.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2006-----				-----Fiscal 2007-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3504 - Interagency Fire Support										
35	0.00	21,108	11,609	2,463	35,180	0.00	21,108	11,609	2,463	35,180
DP 3510 - Aviation Support										
35	0.00	257,965	0	0	257,965	0.00	257,965	0	0	257,965
DP 3511 - County Co-op Support										
35	4.00	587,280	0	0	587,280	4.00	587,174	0	0	587,174
DP 3512 - Increased Helitack Capacity										
35	3.79	136,967	0	0	136,967	3.79	136,911	0	0	136,911
Total	7.79	\$1,003,320	\$11,609	\$2,463	\$1,017,392	7.79	\$1,003,158	\$11,609	\$2,463	\$1,017,230

DP 3504 - Interagency Fire Support - The legislature approved funding to support interagency fire costs related to contract fire protection within the Flathead reservation and participation in the Northern Rockies Coordinating Group (NRCG) of which DNRC is a partner.

DP 3510 - Aviation Support - The legislature approved general fund for 5.11 FTE for the aviation program, 2.11 FTE to adequately staff the five division helicopters and 3.0 FTE to provide aviation mechanics for the nine department aircraft.

DP 3511 - County Co-op Support - The legislature approved general fund for 4.00 FTE for rural fire coordination and mechanic support to engines and additional capital dollars to develop 15 type six engines. The FTE would restore reductions made in the 2002 special session and the additional capital would address the aging engines in the field.

DP 3512 - Increased Helitack Capacity - The legislature approved general fund for 3.59 FTE to provide full helitack crews for Helena, Kalispell, and Missoula direct protection land offices. These FTE translate into 3 permanent and 17 seasonal staff and related operating expenses.

Language

The legislature approved the following language for inclusion in HB2:

“The department shall establish a proprietary account for the operations of the state nursery program.”

Proprietary Rates**Proprietary Program Description**

The air operations program in the Forestry Division is funded from the air operations proprietary account for those costs that can be supported by the aircraft rates charged to agencies that use the aircraft and general fund for fixed costs. The program operates four medium helicopters, two light helicopters, and three single engine fixed-wing airplanes. Aircraft are primarily used for fire detection, support and suppression of wildfires, and reclamation work in the Department of Environmental Quality. Fixed costs are paid by the general fund and fire protection tax revenue since they must be paid regardless of number of hours flown. These costs include hangar rent, insurance, and personnel costs. The general fund and fire protection taxes are appropriated by the legislature, and transferred to and spent from the proprietary account. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft. Users of the aircraft include the department, other state agencies, federal agencies, and the state's wildfire suppression efforts. This revenue is deposited to the proprietary account.

Proprietary Revenues and Expenses

The cost drivers for the aircraft rates are the actual expenses needed to maintain the aircraft in an air worthy condition and remain mission ready for the purpose of initial attack on wild fires on state and federal ground. This includes all costs associated with the maintenance and operation of that aircraft. There are some factors that contribute to the uncertainty in forecasting future expenses. This includes unforeseen events such as FAA and manufacturer directives, aircraft incidents resulting in unplanned maintenance and fluctuations in fuel and parts, and length and severity of the fire season.

In FY 2004, non-typical expenditures of \$266,000 were incurred in the building of a new helicopter. A budget amendment was approved to provide \$150,000 in Jobs and Growth Tax Reconciliation and Relief Act funds to offset this expenditure. The balance (\$116,000) was covered with funds from the proprietary account.

Proprietary Rate Explanation

The reimbursement rates for the operation of the department aircraft are based on the time life of 5000 hours of aircraft usage. The rate has been determined to maintain the aircraft in its original condition. At the end of 5000 hours, all parts will have been replaced and a new maintenance / operation cycle started. The customer base is very specific and is made up of department land managers and the U.S. Forest service. The aviation section provides aircraft for fire operations. The aviation section uses this reimbursement rate strictly to maintain the aircraft in flyable condition. The department maintains a high fund balance due to the high price of aircraft parts.

In addition, the FAA and the manufacturer can issue service and technical bulletins that mandate compliance to continue operation of that aircraft. The customer is billed at the fixed rate based on the amount of hours and tenths of hours flown. All costs are direct and fixed with no indirect costs associated with the rates.

The legislature approve the continuation of the 2005 biennium rates through the 2007 biennium.

Actual rates

Bell UH-1H	\$875.00 per hour
Bell Jet Ranger	\$355.00 per hour
Cessna 180 series	\$ 95.00 per hour